

New Hampshire Department of Revenue Administration
Updated Revenue Estimate Presentation
House Ways & Means Committee
May 7, 2019



Lindsey M. Stepp, Commissioner
Carollynn J. Lear, Assistant Commissioner
109 Pleasant Street, Concord, NH 03301
603-230-5000

Interest and Dividends Tax

- **DRA Revised FY19 estimates:**
 - Low: Actual with Plan
 - High: Sustaining % Versus Plan
- **Factors to consider:**
 - FYTD 15.5% ahead of Plan
 - FYTD 5.3% ahead of prior year
 - April increase of \$9.9m was primarily driven by increased extension payments as well as an increase in estimate payments. Due to this increase in revenue, DRA has revised its FY19 estimate from a range of \$95.4m to \$101.m to a new range of \$110.3m to \$112.5m.
 - Historical Year-Over-Year swings
 - Interest rates

	A	B	C				D				E			
1		FY19	FY19 Revised				FY20 Growth Range				FY21 Growth Range			
2	<i>\$ in Millions</i>	Plan	<i>Low</i>	<i>High</i>	<i>Gov</i>	<i>HR 8</i>	<i>Low</i>	<i>High</i>	<i>Gov</i>	<i>HR 8</i>	<i>Low</i>	<i>High</i>	<i>Gov</i>	<i>HR 8</i>
3	Interest & Dividends Tax	\$ 98.0	\$ 110.3	\$ 112.5	\$ 102.0	\$ 100.7	1.0%	2.0%	2.9%	1.0%	-1.0%	0.0%	1.4%	0.0%

Business Taxes BPT & BET:

Split 60% BPT 40% BET

- **Factors to consider:**

- FYTD 34.0% ahead of Plan
- FYTD 12.9% ahead of prior year
 - *Payments driving FYTD 19 revenues are different than the drivers of FYTD 18 revenues. The primary increase in FYTD 19 revenue compared to FYTD 18 revenue is a 40% or \$89.5m increase in return and extension payments. The primary increase in revenue for FYTD 18 compared to FYTD 17 was an 18% or \$64.3m increase in estimate payments.*
 - *March and April combined revenues were down 7.7% compared to prior year.*
 - *Primarily driven by a decrease in estimate payments.*
 - *Extension payment counts and dollars were up, which could increase the risk for refunds in the fall.*
- *One-time anomalies due to federal tax reform and one-time business activities.*
 - *FY19 had large anomalies occur primarily in the first half of the fiscal year.*
 - *The anomalies were split closely between repatriation and one-time business activities, which is different from FY18 where the bulk of the anomalous payments were from repatriation.*
 - *Repatriation anomalies decreased in FY19 compared to FY18 while one-time business activity anomalies increased in FY19 compared to FY18.*
 - *Analyzing FYTD revenues, DRA has adjusted the FY19 revenue estimates by refining the original growth ranges from 5% to 8% to 7.5% to 8% and the anomalies range from 14% to 17% to 18% to 19%.*
- *Anomalies due to one-time business activities – i.e., capital gains, mergers and acquisitions*
- *Impact of continued strong and then slowing economy*

Business Taxes Summary of Estimates for FY19 thru FY21

	DRA Estimate		FY2018 Revenue \$775.9m / FY2017 Revenue \$639.0m
	Low	High	Explanation
FY18 Revenues	\$ 775.9	\$ 775.9	Actual FY18 revenue
One-Time Anomalies	\$ 108.6	\$ 85.3	Subtract estimated one-time anomalies due to federal tax reform and one-time business activities, 11% to 14%.
Estimated FY18 Base	\$ 667.3	\$ 690.6	Assumes growth of 4.5% to 8%.

	A				B				C			
	FY19 Revised				FY20 Growth Range				FY21 Growth Range			
	Low	High	Gov.	HR 8	Low	High	Gov.	HR 8	Low	High	Gov.	HR 8
Estimated Base	\$ 717.3	\$ 745.8	\$ 732.3	\$ 727.8	\$ 735.3	\$ 790.5	\$ 790.3	\$ 764.9	\$ 742.6	\$ 814.3	\$ 814.3	\$ 780.2
<i>Growth Range</i>	7.5%	8.0%	-	-	2.5%	6.0%	7.9%	5.1%	1.0%	3.0%	3.0%	2.0%
One-Time Anomalies	\$ 120.1	\$ 131.2	\$ 100.6	\$ 105.4	\$ 14.3	\$ 59.7	\$ 37.6	\$ 47.3	\$ 7.4	\$ 23.7	\$ 15.3	\$ 25.0
<i>Anomalies Range</i>	18.0%	19.0%	-	-	2.0%	8.0%	5.1%	6.5%	1.0%	3.0%	1.9%	3.3%
Subtotal	\$ 837.4	\$ 877.0	\$ 832.9	\$ 833.2	\$ 749.6	\$ 850.2	\$ 827.9	\$ 812.2	\$ 750.0	\$ 838.0	\$ 829.6	\$ 805.2
Rate Reductions	-	-	-	-	\$ (32.4)	\$ (32.4)	\$ (32.4)	\$ (32.4)	\$ (50.4)	\$ (50.4)	\$ (50.4)	\$ (50.4)
Total	\$ 837.4	\$ 877.0	\$ 832.9	\$ 833.2	\$ 717.2	\$ 817.8	\$ 795.5	\$ 779.8	\$ 699.6	\$ 787.6	\$ 779.2	\$ 754.8

DRA Revised Estimated Revenues

	A	B	C				D				E			
1	<i>\$ in Millions</i>		FY19 Revised				FY20 Growth Range				FY21 Growth Range			
2	<i>Business Taxes</i>		<i>Low</i>	<i>High</i>	<i>Gov</i>	<i>HR 8</i>	<i>Low</i>	<i>High</i>	<i>Gov</i>	<i>HR 8</i>	<i>Low</i>	<i>High</i>	<i>Gov</i>	<i>HR 8</i>
3	Estimated Base		\$ 717.3	\$ 745.8	\$ 732.3	\$ 727.8	\$ 735.3	\$ 790.5	\$ 790.3	\$ 764.9	\$ 742.6	\$ 814.3	\$ 814.3	\$ 780.2
4	Growth Range		7.5%	8.0%	-	-	2.5%	6.0%	7.9%	5.1%	1.0%	3.0%	3.0%	2.0%
5	One-Time Anomalies		\$ 120.1	\$ 131.2	\$ 100.6	\$ 105.4	\$ 14.3	\$ 59.7	\$ 37.6	\$ 47.3	\$ 7.4	\$ 23.7	\$ 15.3	\$ 25.0
6	Anomalies Range		18.0%	19.0%	-	-	2.0%	8.0%	5.0%	6.5%	1.0%	3.0%	2.0%	3.2%
7	Subtotal		\$ 837.4	\$ 877.0	\$ 832.9	\$ 833.2	\$ 749.6	\$ 850.2	\$ 827.9	\$ 812.2	\$ 750.0	\$ 838.0	\$ 829.6	\$ 805.2
8	Rate Reductions		-	-	-	-	\$ (32.4)	\$ (32.4)	\$ (32.4)	\$ (32.4)	\$ (50.4)	\$ (50.4)	\$ (50.4)	\$ (50.4)
9	Total		\$ 837.4	\$ 877.0	\$ 832.9	\$ 833.2	\$ 717.2	\$ 817.8	\$ 795.5	\$ 779.8	\$ 699.6	\$ 787.6	\$ 779.2	\$ 754.8

		FY19	FY19 Revised				FY20 Growth Range				FY21 Growth Range			
10	<i>\$ in Millions</i>	Plan	<i>Low</i>	<i>High</i>	<i>Gov</i>	<i>HR 8</i>	<i>Low</i>	<i>High</i>	<i>Gov</i>	<i>HR 8</i>	<i>Low</i>	<i>High</i>	<i>Gov</i>	<i>HR 8</i>
11	Meals & Rentals Tax	\$ 346.5	\$ 348.6	\$ 349.2	\$ 350.0	\$ 350.5	3.2%	5.3%	3.2%	4.3%	0.0%	3.0%	1.0%	5.0%
12	Tobacco Tax	\$ 214.5	\$ 200.7	\$ 201.0	\$ 201.0	\$ 203.1	-2.0%	-0.5%	1.7%	-2.5%	-2.0%	-0.5%	0.8%	-2.5%
13	Interest & Dividends Tax	\$ 98.0	\$ 110.3	\$ 112.5	\$ 102.0	\$ 100.7	1.0%	2.0%	2.9%	1.0%	-1.0%	0.0%	1.4%	0.0%
14	Communications Services Tax	\$ 40.7	\$ 40.7	\$ 41.5	\$ 40.4	\$ 41.3	-9.0%	-5.0%	-8.4%	-9.0%	-9.0%	-5.0%	-8.1%	-9.0%
15	Real Estate Transfer Tax	\$ 164.3	\$ 155.5	\$ 164.3	\$ 161.0	\$ 157.0	1.0%	2.0%	1.4%	1.5%	0.0%	2.0%	0.0%	0.5%
16	Utility Property Tax	\$ 43.4	\$ 38.7	\$ 42.5	\$ 45.4	\$ 39.6	0.5%	2.0%	1.5%	1.3%	0.5%	2.0%	1.5%	1.0%